

3. Development of rates

3.1 Common Line

3.1.1 End User Common Line

Adjustments to the End User Common Line (EUCL) charges are due to changes in the revenue requirement for the Common Line - Base Factor Portion (BFP) and the number of access lines. The number of access lines has not changed from what was used in the April 2, 1993 filing. However, the BFP revenue requirement increased for each study area as a result of the GSF reallocation.

The prospective BFP revenue requirements were developed by first restating

The proposed End User Common Line Charges are:

	Multi-Line Business	Residence Single-Line Business
Illinois	\$4.13	\$3.50
Indiana	\$5.46	\$3.50
Michigan	\$5.29	\$3.50
Ohio	\$5.09	\$3.50
Wisconsin	\$4.99	\$3.50

The proposed End User Common Line rates represent an increase of \$57.8 million compared to current rates.

3.1.2 Carrier Common Line

In response to the exogenous impact of the GSF reallocation on the Common Line basket, a new Carrier Common Line (CCL) rate was calculated using the formula described in Section 61.46(d) of the Commission's Rules. This formula produces a CCL Minute of Use (CCLmou) charge of \$0.008581, which represents the maximum allowable weighted average of proposed originating and terminating, premium and non-premium CCL rates, using 1992 base period demand. As shown in Exhibit 14, the CCLmou was disaggregated into the four CCL rate elements, resulting in a premium rate (originating and terminating) of \$0.008587. The proposed Carrier Common Line rate represents an increase of \$12.6 million or 4.1 percent when compared to current rates.

The impact on the total Common Line basket due to the proposed CCL and EUCL rate changes is an increase of \$70.4 million or 7.1 percent.

3.2 Traffic Sensitive

In this filing a new Traffic Sensitive PCI was calculated to reflect an exogenous change of -\$91.9 million due to the GSF reallocation. As a result, rate changes are proposed in each of the Traffic Sensitive service categories. The Traffic Sensitive API was

calculated to reflect these rate changes and results in a value of 83.97, which is less than the proposed Traffic Sensitive PCI of 85.08. The revenue impact on the Traffic Sensitive basket is a reduction of \$96.3 million or -10.5 percent compared to current rates.

Local Transport

Rate reductions for the premium and transitional Local Transport Termination and Local Transport Facility rates and the Design and Central Office Connection nonrecurring charge are proposed in this filing. The resulting revenue impact on the Local Transport service band is a reduction in revenues of \$72.1 million or 13.9 percent. New Local Transport SBI upper and lower bounds of 85.97 and 77.78, respectively, result from changes to the Traffic Sensitive PCI. The proposed rate changes produce a new Local Transport SBI of 78.80, which is between the new upper and lower Local Transport service bounds.

Local Switching

Rate reductions for the LS1, LS2 and Transitional Local Switching rates are proposed in this filing. The LS1 rate transition, which sets the LS1 rate equal to the LS2 rate, is also reflected in this filing. The resulting revenue impact on the Local Switching service band is a decrease in revenues of \$21.2 million or 6.1 percent. The proposed new Local Switching SBI upper and lower bounds of 90.42 and 81.81 result from the changes to the Traffic Sensitive PCI. The new Local Switching service band SBI of 90.41 is within the new upper and lower Local Switching SBI bounds.

Information

Premium and transitional Information Surcharge rate reductions of 16.2 percent are proposed in this filing. The proposed rates represent a revenue decrease to the Information Service category of \$2.6 million or 6.1 percent when compared to current rates. The proposed new Information Service SBI resulting from these changes is 85.88. New Information Service SBI upper and lower bounds of 85.89 and 77.71 result from the Traffic Sensitive PCI changes. The proposed Information Service SBI is within the revised Information SBI upper and lower bounds.

800 Services

A 6.1 percent reduction in the 800 Call-Routing Query charge from \$.0022 to \$.002066 is proposed in this filing. The proposed rate change represents a revenue reduction of \$0.3 million when compared to the current 800 Call-Routing Query charge. The proposed Data Base Service SBI resulting from this change is 93.91. This proposed SBI is within the revised Data Base Service SBI upper and lower bounds of 93.93 and 84.98, respectively.

3.3 Special Access

As a result of the exogenous cost change of -\$33.4 million to the Special Access basket, the new Special Access PCI is 88.90. Special Access rates in each band and subband are reduced with this filing. With these rate reductions, the proposed Special Access basket's API of 88.44 falls below the new PCI.

The recurring rates for the following services were reduced: Analog, Audio Program, Video, DDS, Ameritech Base Rate Channel Mileage, month-to-month and 60-month Ameritech DS1 Service Local Distribution Channels, DS1 to DS0/subrate multiplexing, Ameritech DS3 Service Channel Mileage and Channel Mileage Terminations rates, and DS3 to DS1 multiplexing. In order to maintain the current discount structure for services covered by the Discount Commitment Program (DCP), corresponding reductions in DCP rates were made when monthly rate elements were reduced. For example, the proposed monthly rate for an Ameritech Base Rate Channel Mileage Termination is reduced 7 percent in this filing. The corresponding proposed 36 and 60 month DSP rates also are reduced 7 percent in this filing. The proposed DCP rates are above costs as filed in Ameritech's DCP filing, Transmittal No. 684, issued December 21, 1992 and effective February 4, 1993. In addition, the Design and Central Office, and Customer Connection rates were reduced for Ameritech DS1 and DS3 Services.

All SBIs for the bands and subbands of Special Access are at or between the upper and lower limits established for the associated band. The new band and subband boundaries and service band indices are:

	Lower Bound	SBI (t)	Upper Bound
Analog	88.06	97.23	97.33
Audio/Video	82.75	90.84	91.46
High Capacity	74.21	82.02	82.02
DS1 Subband	72.58	79.90	80.22
DS3 Subband	73.91	81.56	81.69

3.4 Interexchange

No changes are proposed for the Interexchange basket in this filing. The Interexchange API remains as 82.51, well below the proposed PCI of 96.53.

EXHIBIT 19

Development Of GSF Exogenous Amount
Ameritech
(000's)

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		Common Line		
ARMIS 43-01 ROW #	Description	Base REVREQ (A)	REVREQ After Reallocation of GSF (B)	Difference (C) = (B) - (A)
1040	Miscellaneous Revenues	\$6,174	\$7,223	\$1,049
1060	Uncollectibles	6,926	6,926	0
1190	Total Operating Expense	614,236	702,651	88,415
1420	Other Taxes	49,112	54,751	5,639
1510	Fixed Charges	39,297	43,697	4,400
1520	IRS Income Adjustments	(3,907)	(4,355)	(448)
1530	FCC Taxable Income Adjustments	324	360	36
1540	ITC Amortization	6,782	7,544	762
1550	FCC ITC Adjustment	0	0	0
1690	Total Plant in Service	2,775,549	3,095,945	320,396
1790	Total Other Investment	23,636	26,395	2,759
1890	Total Reserves	1,377,540	1,524,617	147,077
1910	Average Net Investment	1,421,645	1,597,723	176,078
1915	Net Return	177,682	200,490	22,808
1590	Net FIT	59,168	67,282	8,114
1410	State taxes	11,501	13,035	1,534
1020	Network Access Revenues	912,451	1,037,912	125,461
1030	Toll Network Services	NA	NA	NA

Note: Base revenue requirements reflect the 1992 ARMIS results adjusted for the 1993 BAF and DEM and the completion of Michigan Bell's Inside Wire Amortization.

Development Of GSF Exogenous Amount
Ameritech
(000's)

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		Traffic Sensitive		
ARMIS 43-01 ROW #	Description	Base REVREQ (A)	REVREQ After Reallocation of GSF (B)	Difference (C) = (B) - (A)
1040	Miscellaneous Revenues	\$4,944	\$4,175	(\$769)
1060	Uncollectibles	2,052	2,052	0
1190	Total Operating Expense	633,059	568,035	(65,024)
1420	Other Taxes	42,683	38,510	(4,173)
1510	Fixed Charges	31,179	28,287	(2,892)
1520	IRS Income Adjustments	(2,617)	(2,359)	258
1530	FCC Taxable Income Adjustments	266	241	(25)
1540	ITC Amortization	5,430	4,923	(507)
1550	FCC ITC Adjustment	0	0	0
1690	Total Plant in Service	2,482,777	2,249,031	(233,746)
1790	Total Other Investment	33,890	31,925	(1,965)
1890	Total Reserves	1,309,531	1,202,321	(107,210)
1910	Average Net Investment	1,207,136	1,078,635	(128,501)
1915	Net Return	154,922	138,422	(16,500)
1590	Net FIT	51,951	46,105	(5,846)
1410	State taxes	10,495	9,409	(1,086)
1020	Network Access Revenues	890,218	798,358	(91,860)
1030	Toll Network Services	NA	NA	NA

Note: Base revenue requirements reflect the 1992 ARMIS results adjusted for the 1993 BAF and DEM and the completion of Michigan Bell's Inside Wire Amortization.

Development Of GSF Exogenous Amount
Ameritech
(000's)

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		<u>Special Access</u>		
ARMIS 43-01 <u>ROW #</u>	<u>Description</u>	<u>Base REVREQ (A)</u>	<u>REVREQ After Reallocation of GSF (B)</u>	<u>Difference (C) = (B) - (A)</u>
1040	Miscellaneous Revenues	\$1,868	\$1,590	(\$278)
1060	Uncollectible Revenue	810	810	0
1190	Total Operating Expense	227,149	203,867	(23,282)
1420	Other Taxes	14,587	13,131	(1,456)
1510	Fixed Charges	12,620	11,435	(1,185)
1520	IRS Income Adjustments	(1,080)	(966)	114
1530	FCC Taxable Income Adjustments	102	92	(10)
1540	ITC Amortization	2,174	1,971	(203)
1550	FCC ITC Adjustment	0	0	0
1690	Total Plant in Service	894,775	808,528	(86,247)
1790	Total Other Investment	6,984	6,194	(790)
1890	Total Reserves	465,646	425,962	(39,684)
1910	Average Net Investment	436,113	388,760	(47,353)
1915	Net Return	58,382	52,099	(6,283)
1590	Net FIT	19,772	17,511	(2,261)
1410	State taxes	4,268	3,823	(445)
1020	Network Access Revenues	323,100	289,651	(33,449)
1030	Toll Network Services	NA	NA	NA

Note: Base revenue requirements reflect the 1992 ARMIS results adjusted for the 1993 BAF and DEM and the completion of Michigan Bell's Inside Wire Amortization.

Development Of GSF Exogenous Amount
Ameritech
(000's)

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ARMIS 43-01 ROW #	Description	Interexchange		
		Base REVREQ (A)	REVREQ After Reallocation of GSF (B)	Difference (C) = (B) - (A)
1040	Miscellaneous Revenues	\$9	\$6	(\$3)
1060	Uncollectible Revenue	7	8	1
1190	Total Operating Expense	15,125	15,014	(111)
1420	Other Taxes	262	254	(8)
1510	Fixed Charges	55	51	(4)
1520	IRS Income Adjustments	(7)	(5)	2
1530	FCC Taxable Income Adjustments	0	0	0
1540	ITC Amortization	10	10	0
1550	FCC ITC Adjustment	0	0	0
1690	Total Plant in Service	4,034	3,631	(403)
1790	Total Other Investment	27	24	(3)
1890	Total Reserves	2,193	2,010	(183)
1910	Average Net Investment	1,868	1,645	(223)
1915	Net Return	223	195	(28)
1590	Net FIT	68	59	(9)
1410	State taxes	10	10	0
1020	Network Access Revenues	NA	NA	NA
1030	Toll Network Services	15,686	15,534	(152)

Note: Base revenue requirements reflect the 1992 ARMIS results adjusted for the 1993 BAF and DEM and the completion of Michigan Bell's Inside Wire Amortization.